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First progress report on the adoption of International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The General Assembly, in its resolution 60/283, approved the adoption of International Public Sector Accounting Standards (IPSAS) by the United Nations. The present report is submitted for information purposes so as to update the General Assembly on the progress made since then towards the implementation of IPSAS. Separate sections of the report cover progress across the United Nations system and at the United Nations itself.

The General Assembly is requested to take note of the present report.

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I. Introduction

1. The financial statements of the United Nations as well as those of all United Nations system organizations are currently prepared in accordance with the United Nations System Accounting Standards (UNSAS). UNSAS, which were developed by accounting professionals within the United Nations system based on International Accounting Standards, were first approved for use for the preparation of financial statements for the period ended 31 December 1993, pursuant to General Assembly resolution 48/216.

2. However, in recent years, United Nations system accounting professionals and auditors have recognized that UNSAS has not kept pace with best practices in the rapidly changing international accounting environment. The United Nations System Chief Executives Board for Coordination (CEB) High-Level Committee on Management commissioned its Task Force on Accounting Standards to review the possibility of United Nations system organizations adopting external accounting standards. The Task Force on Accounting Standards concluded that International Public Sector Accounting Standards (IPSAS) represented international best practices for not-for-profit organizations and that IPSAS adoption would improve the quality, comparability and credibility of the financial reporting of United Nations system organizations. This conclusion was then endorsed by the High-Level Committee's Finance and Budget Network. On 30 November 2005, the Committee recommended that all United Nations system organizations adopt IPSAS effective no later than 2010.

3. To support this recommendation to adopt IPSAS, the High-Level Committee approved a jointly funded system-wide project, recognizing that a harmonized framework of IPSAS-compliant policies would further enhance consistency of financial reporting, which would set a common measurement basis for evaluating financial results across United Nations system organizations. Further, the Committee recognized that a system-wide IPSAS adoption project would achieve economies in consideration of common implementation issues. The activities undertaken by the United Nations system-wide project are described in section II of the present report.

4. In his report dated 12 May 2006 (A/60/846/Add.3), the Secretary-General sought approval of IPSAS adoption within the context of the proposed reform measures for a stronger Organization worldwide, and emphasized the benefits for improved governance, accountability and transparency. The Secretary-General recommended the adoption of IPSAS for the United Nations by 2010, highlighting that IPSAS adoption would:

(a) Improve internal control and transparency with respect to assets and liabilities;

(b) Align United Nations accounting with best accounting practices through the application of credible, independent accounting standards on a full accruals basis;

(c) Provide more comprehensive information about costs that would better support results-based management;

(d) Integrate non-expendable equipment into the accounting system, with resulting improvements in the accuracy and completeness of non-expendable

equipment records, which will facilitate better asset management and financial reporting;

(e) Improve consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in each standard.

5. In its report (A/60/870), the Advisory Committee on Administrative and Budgetary Questions recommended the adoption of IPSAS by the United Nations, noting that the proposed timetable for implementation of IPSAS would need to be synchronized with the introduction of a new information technology system for the Organization.

6. In its resolution 60/283, the General Assembly approved the adoption of IPSAS by the United Nations, as well as the resources requested to begin the process of implementing IPSAS.

7. In his report dated 11 June 2007 (A/62/69) on progress and impact assessment of management improvement measures, the Secretary-General presented a brief update on the adoption of IPSAS. The present report is a more comprehensive description of progress up to 31 March 2008. Progress towards the adoption of IPSAS at the system-wide level is described below, followed by progress at the United Nations.

II. United Nations system-wide IPSAS adoption project

A. Overview of progress

8. As stated in paragraph 3 above, the High-Level Committee on Management approved a jointly funded project to support the adoption of IPSAS by United Nations system organizations. The strategy of the system-wide IPSAS adoption project includes a "two-level" approach and phased implementation. The "two-level" approach involves providing resources at both the system-wide level and the individual organization level. At the system-wide level, harmonized IPSAS accounting policies and guidance are developed through an elaborate consultative process. At the individual organization level, each entity is responsible for establishing its own project team and dedicating sufficient resources to ensure successful IPSAS implementation. The second element is a phased implementation strategy. Those United Nations system organizations that are at a more advanced stage of readiness for IPSAS adoption ("early adopters") are targeting implementation effective 2008, while the majority of the organizations ("fast followers") will benefit from the lessons learned and are targeting IPSAS adoption effective 2010 or as soon as possible thereafter.

9. Since the approval of this system-wide IPSAS adoption project, progress has been most evident in the areas of project governance and organization, the development of IPSAS-compliant harmonized accounting policies and guidance, and communication and training, which are discussed below.

B. Project governance and organization

10. The system-wide IPSAS adoption project falls under the auspices of the CEB High-Level Committee on Management, which is responsible for coordination in the administrative and management areas across the United Nations system. Five functional networks operate within the framework of the Committee, including the Finance and Budget Network, which provides strategic guidance on common financial issues. The substantive work of the Finance and Budget Network in the area of accounting standards is carried out by the Task Force on Accounting Standards.

United Nations system-wide Steering Committee

11. A Steering Committee for the system-wide IPSAS adoption project, a sub-group of the Task Force on Accounting Standards, was established in March 2006. The Committee held its first meeting in April 2006 and since then has met monthly on average. The Steering Committee has representation from senior finance personnel from the United Nations, its funds and programmes, specialized agencies as well as other related organizations, and encompasses "early adopters" as well as "fast followers". The Steering Committee has an external expert member who currently serves as chairperson of the IPSAS Board. Since its establishment, the Steering Committee's focus has been to set project priorities, define deliverables, and review progress. The Steering Committee is serviced by the system-wide IPSAS Project Team, which undertakes the operational tasks.

United Nations system-wide IPSAS Project Team

12. The terms of reference and capacity of the system-wide IPSAS Project Team were determined in February 2006. The team is tasked with developing the broad accounting policies to support consistency and harmonization, and facilitating consideration of common implementation issues where there is scope for a system-wide approach that would generate efficiencies and improve the quality of financial reporting. The team is based at United Nations Headquarters in New York.

13. The system-wide IPSAS Project Team currently consists of a project team leader and three professional-level team members. To date, the major achievements of the project team have been the preparation of 44 papers and briefing notes detailing proposed IPSAS-compliant harmonized accounting policies/guidance, the development of an Accounting Standards web page[1] on the CEB website that serves as an effective information resource, the formulation of a process to monitor and report on the progress of individual organizations, and the development of a common system-wide approach for IPSAS training. The project team has also developed a review process that calls for consideration of the proposed harmonized accounting policies/guidance papers by regional focus groups for feedback to the system-wide IPSAS Project Team and consideration at the meetings of the Task Force on Accounting Standards.

[1] http://fb.unsystemceb.org/reference/05.

Regional focus groups

14. Regional focus groups have been established in New York, Geneva, Vienna and Rome. They have reviewed the accounting policy and guidance papers prepared by the system-wide IPSAS Project Team and have provided recommendations and comments to the Task Force on Accounting Standards. The Groups comprise accounting professionals from the United Nations system organizations that are headquartered in the relevant region.

C. IPSAS-compliant accounting policies/guidance

15. The Task Force on Accounting Standards sought decisions and guidance on the majority of IPSAS in place by July 2007 to support the target date for "early adopters" of January 2008. To meet this deadline, 32 papers and 3 briefing notes were submitted to the Task Force for consideration at its four meetings, held over the period August 2006 to June 2007; further, 7 guidance papers and 2 briefing notes were presented at the February 2008 meeting of the Task Force. Annex I to the present report details these papers and briefing notes by topic. The papers and briefing notes and the related discussions at the meetings, resulted in 30 recommendations being endorsed by the Task Force and subsequently approved by the High-Level Committee on Management Finance and Budget Network. The recommendations approved by the Finance and Budget Network include accounting policies and recommended practices relating to financial statements presentation, cash flow statements, borrowing costs, inventory, property, plant and equipment, presentation of budget information, employee benefits, transitional provisions, intangible assets, and annual audit.

16. Approved policies are now in place for most options available in the various IPSAS standards, and guidance has been provided on the majority of the standards. Moving forward, further guidance is required in these areas to assist organizations to operationalize the approved policies and address new implementation issues that have been identified. The system-wide Project Team's workplan going forward will address these issues, many of which are expected to be resolved by decisions of the Task Force on Accounting Standards at its next meeting, scheduled for June 2008.

Consolidation

17. One of the remaining IPSAS-compliant accounting policies still under consideration relates to consolidation. IPSAS requires that, if an organization is found to "control" another entity (where "control" is defined by IPSAS), then that entity must be fully consolidated into the organization's financial statements. A consulting firm was contracted in June 2007 to carry out a consolidation project as a first step in determining IPSAS-compliant reporting entity boundaries within the United Nations system.

18. The main deliverables of the consulting firm are documented detailed guidance regarding consolidation considerations for four organizations (International Civil Aviation Organization (ICAO), United Nations, United Nations Development Programme (UNDP) and World Health Organization (WHO)) and a guidance paper to support all United Nations system organizations in determining their reporting entity boundaries. The guidance papers are expected by June 2008.

Budgetary practices

19. Following IPSAS adoption, a reconciliation of the actual IPSAS-based results to the budget is required to be included in the financial statements. A review of how this would be undertaken, together with a review of other budgetary practices is planned, bearing in mind current legislative practices and requirements.

Involvement of the International Public Sector Accounting Standards Board

20. As part of the IPSAS development process, the Chairman of the Task Force on Accounting Standards and the system-wide IPSAS Project Team Leader have been attending the meetings of the International Public Sector Accounting Standards Board as observers. In this capacity, they take part in the Board's discussions and provide written comments, but do not vote on Board decisions. Comments have been submitted to the Board on draft accounting standards dealing with the presentation of budget information in financial statements, revenue from non-exchange transactions, and reporting on after-service employee benefits, which were well received.

D. Communication and training

Communication

21. Effective communication with key stakeholders is a vital part of the system-wide IPSAS adoption project. This deliverable involves effort at the system-wide level, from members of the Task Force and system-wide IPSAS Project Team, as well as at the level of each individual organization's IPSAS project team members, and senior management. These stakeholders have been active in identifying IPSAS topics on which guidance is needed and the system-wide IPSAS Project Team has developed communication pathways and products that serve both the system-wide IPSAS adoption project and the projects at the individual organizations.

22. Progress in the area of communication includes the development of:

(a) An Accounting Standards web page on the website of the CEB, which facilitates the sharing of key IPSAS documents, including policy and guidance papers, minutes of meetings, progress reports, and information regarding the experience of other organizations that have adopted full accrual accounting;

(b) A checklist to track organizations' IPSAS adoption progress and feed into progress reports;

(c) Subject-specific surveys that allow individual organizations to focus on specific issues and to communicate guidance requests to the system-wide Project Team; surveys have been developed on inventories, intangible assets, and training;

(d) A formal process of communication with the Technical Group of the Panel of External Auditors.

23. Further, the use of regional focus groups to review papers and discuss issues has proven to be an effective communication pathway.

Communication with external auditors

24. A priority during 2007 and the first quarter of 2008 has been engagement on IPSAS issues with the Panel of External Auditors on a system-wide level and with each individual organization's external auditor(s) on a bilateral level. Draft accounting policy papers and related material have been provided to the external auditors. Representatives of the Technical Group of the Panel of External Auditors have attended Task Force meetings as observers. The Chairman of the Task Force on Accounting Standards has provided presentations on IPSAS adoption progress to the Technical Group (2006) and the Panel (2007).

Training

25. A common system-wide approach to training is being pursued. The expected benefits of system-wide IPSAS training include:

(a) Economies in the total costs of training;

(b) System-wide consistency in implementing IPSAS;

(c) Higher quality of training products.

26. The system-wide approach involves the procurement of IPSAS training products to be used by all organizations while the training resources at the level of each individual organization will be used for deployment of training.

27. The system-wide approach to training involves three phases. Progress on each phase is described below:

Phase 1. Training needs assessment. An IPSAS training-needs assessment tool (a "training survey") was developed and provided to all organizations in April 2007. A total of 90 per cent of organizations responded to the training survey. Organizations confirmed the proposed IPSAS training approach and suggested improvements to better meet their needs; the proposed curriculum was refined accordingly;

Phase 2. Procurement of training packages. The procurement process to identify a contractor to develop the IPSAS training packages is in progress. The request for proposal details a three-pronged training approach: awareness training; conceptual training; and systems training; and invites proposals for deliverables under the first two categories. The evaluation of bids has been completed and a contract has been awarded to the successful bidder. Development of IPSAS training packages is expected to be completed by the end of 2008;

Phase 3. Deployment of training. Phase 3 involves individual organizations planning, managing and executing the training delivery process, using the system-wide products that will be made available to them, once phase 2 has been completed.

28. The three "early adopter" organizations, WHO, ICAO and the World Food Programme, have more urgent training needs and have deployed self-developed awareness-training material in order to address these training needs prior to the development of the system-wide products. Some "fast follower" organizations have also done this, aiming to establish a platform for more formal training, using the system-wide products. Most organizations expect to begin awareness training using

the system-wide products towards the end of 2008; conceptual training is expected to begin in the first half of 2009.

29. The results of the training survey used in phase 1 provided a high-level picture of system-wide IPSAS training needs. Of the initial estimated audience of 36,000, 65 per cent require training at an "awareness" level, 25 per cent at a working-knowledge "conceptual" level, and 10 per cent at a specialist "conceptual" level. The survey underscored how IPSAS training affects a broad range of groups and is not restricted to accountants.

E. IPSAS adoption progress by United Nations system organizations

30. In order for United Nations system organizations to meet the target of 2010 for adoption of IPSAS, significant progress must be made towards the implementation of the required information systems, the establishment of detailed IPSAS-compliant procedures and the training of staff by the end of 2009. Progress in this regard is assessed by the system-wide Project Team at six-month intervals, with the most recent report covering the period up to the end of January 2008. Each individual United Nations system organization was asked to complete a checklist and questionnaire on its IPSAS adoption progress as at the end of January 2008.[2] The responses to key implementation steps, as summarized below, show that significant progress has been made towards IPSAS adoption:

(a) Governing body approval gained (95 per cent);

(b) Approved budget for IPSAS adoption (75 per cent);

(c) IPSAS project manager appointed (80 per cent);

(d) Detailed timetable and project plan prepared (70 per cent);

(e) Assessment of systems change requirements completed (65 per cent);

(f) Communication plan prepared (55 per cent);

(g) Training plan prepared (30 per cent);

(h) IPSAS/relevant International Financial Reporting Standards reviewed and impacts identified (65 per cent).

31. Progress towards IPSAS adoption continues at the system-wide and individual organization levels. However, at the February 2008 Task Force meeting, two of the three "early adopters" reported delays in meeting the 2008 target. One "early adopter", WHO, indicated that full implementation of IPSAS will not occur earlier than 2009 and may extend to 2010. The second, ICAO, has indicated that full implementation may not be achieved until 2009. As the UNSAS have been amended to include the ability to progressively adopt IPSAS, there is scope for "early adopters" to achieve significant conformity with IPSAS requirements, but report according to UNSAS on those IPSAS standards that are not yet fully adopted. The third "early adopter", WFP, expects to achieve the original 2008 date, as it continues to progressively address and resolve IPSAS-related issues.

[2] The following 20 organizations provided responses: FAO, IAEA, ICAO, ILO, IMO, ITC, ITU, United Nations, UNHCR , UNDP, UNESCO, UNFPA, UNICEF, UNIDO, UNRWA, WTO, WIPO, WFP, WHO and WMO.

32. The system-wide IPSAS adoption project will continue to develop harmonized IPSAS-compliant accounting policies and guidance, monitor progress, and manage the delivery of the contracted training products. Going forward, as the policy/guidance-setting work nears completion, the system-wide IPSAS adoption project will place more emphasis on identifying emerging issues and supporting the actual operationalization of the standards by United Nations system organizations.

III. IPSAS adoption at the United Nations

A. Overview of progress

33. Since the approval by the General Assembly in July 2006 to adopt IPSAS, the United Nations has adopted an approach that is consistent with the strategy and timetable of the system-wide IPSAS adoption project and the United Nations Enterprise Resource Planning (ERP) project. In this regard, the United Nations is targeting IPSAS adoption as soon as the Organization's information systems are upgraded to support IPSAS adoption.

34. In these early stages, most of the Organization's effort towards IPSAS adoption has been in establishing a project governance structure and project team, and working with the system-wide project to examine the standards and determine IPSAS-compliant accounting policies/practices that can be applied by the United Nations. More recently, work has centred on collaboration with the ERP project, in reviewing the Financial Regulations and Rules of the United Nations, and in developing an implementation timetable with timelines for communications and training.

35. For the United Nations, the single most important issue with respect to the adoption of IPSAS is the information systems requirements for successful IPSAS adoption and the synchronization of implementation plans for IPSAS adoption and the ERP project. As also noted by the Advisory Committee on Administrative and Budgetary Questions in its report (see A/60/870, para. 42), the timetable for IPSAS adoption is dependent upon the project for the introduction of the new ERP system.

36. However, besides meeting the information systems requirements, other major challenges with regard to IPSAS adoption include:

(a) Determining the IPSAS-compliant value for items of property, plant and equipment, inventories and intangible assets that were previously expensed under UNSAS;

(b) Re-engineering and standardizing work processes Organization-wide to facilitate IPSAS adoption and ERP implementation;

(c) Developing detailed cross-functional procedures to operationalize the IPSAS standards;

(d) Training and re-educating finance and other staff Organization-wide;

(e) Determining the format of the IPSAS-compliant financial statements, incorporating segment reporting and establishing the reporting entity boundaries for consolidation.

B. Project governance and organization

United Nations Steering Committee

37. In October 2006, an IPSAS Adoption Steering Committee was formed. The main task of the Steering Committee is to oversee the adoption of IPSAS at the United Nations, including the peacekeeping and political missions, while ensuring that the views of all internal stakeholders are considered during the adoption of the IPSAS-compliant policies and practices. To support this objective, the Steering Committee has created several interdepartmental working groups that work directly with the United Nations IPSAS Project Team.

United Nations IPSAS Project Team

38. The United Nations IPSAS Project Team has been established within the Office of Programme Planning, Budget and Accounts. The team currently comprises seven members funded from the regular budget and from the peacekeeping support account, led by a Project Team Leader, who was appointed effective 1 April 2007.

39. The main tasks of the United Nations IPSAS Project Team are:

(a) Managing the United Nations IPSAS adoption project, ensuring delivery of outputs: preparing the project plan, working closely with the ERP project, supporting the review of the Financial Regulations and Rules and providing information to key stakeholders;

(b) Working with the system-wide IPSAS Project Team to identify and resolve implementation issues, assist in the development of system-wide accounting policies/guidance and provide the United Nations position on system-wide recommended accounting policies/guidance;

(c) Completing specific implementation tasks: determination of IPSAS-compliant accounting policies/procedures, related workflows, and details of IPSAS-compliant model financial statements, updating accounting manuals, deployment of training for the United Nations;

(d) Engaging required consultants and ensuring provision of contracted deliverables, which is due to commence in the second half of 2008.

40. To date, one of the major achievements of the United Nations IPSAS Project Team has been in the area of determining the United Nations position on the 44 accounting policies and guidance papers and briefing notes that were proposed by the system-wide IPSAS Project Team. The United Nations IPSAS Project Team conducted research, held discussions with the United Nations Working Groups and the Regional Focus Groups and proposed a United Nations position on each proposal that considered the views of the key internal stakeholders.

41. Further, the United Nations IPSAS Project Team has provided direct support to the system-wide project by assisting in the development of seven IPSAS-compliant recommended accounting policies/guidance papers relating to intangible assets, financial instruments, control over assets, pro forma notes to the financial statements, foreign exchange, presentation of budget information and employee benefits. These IPSAS-compliant accounting policies/guidance papers supported 8 of the 30 recommendations that were endorsed by the Task Force on Accounting Standards

and approved by the Finance and Budget Network of the High-level Committee on Management.

United Nations IPSAS working groups

42. The United Nations IPSAS working groups consist of professionals in the areas of accounting, budgeting, treasury, internal audit, information technology, property management and other functional areas at Headquarters as well as offices away from Headquarters. The main task of the working groups is to aid the United Nations IPSAS Project Team in:

(a) Formulation of the United Nations position on the accounting policies/practices recommended by the system-wide IPSAS Project Team;

(b) Analysis of the practical implications of IPSAS adoption;

(c) Identification of issues that require IPSAS-compliant solutions;

(d) Development of IPSAS-compliant policies, procedures and workflows.

43. The working group consultative process was initiated in January 2007 and the groups have met regularly since then. The United Nations IPSAS working groups are led by members of the United Nations IPSAS Project Team.

C. Adoption of accounting policies/guidance at the United Nations

44. The United Nations Steering Committee has established an accounting policy adoption process, which involves research by the United Nations IPSAS Project Team, discussion of the issues by the working groups and consultation with the Board of Auditors. The process results in an IPSAS-compliant recommended accounting policy/practice or the validation of IPSAS-compliant guidance for the Organization. This internal structured process aims to ensure a rigorous review of the related IPSAS and relevant issues, and consideration of the views of all internal stakeholders during the development of the IPSAS-compliant policies and procedures.

45. The accounting policy/guidance papers that have been released by the system-wide IPSAS Project Team in 2007 and the first quarter of 2008, to be used in the United Nations common system, have been funnelled through this policy adoption process. These accounting policies/guidance relate, inter alia, to presentation of financial statements, foreign exchange, inventories, leases, financial instruments, property, plant and equipment, revenue/expenses from non-exchange transactions, presentation of budget information, employee benefits, transitional provisions, intangible assets, and control over assets. The position of the United Nations with regard to the recommended policies/guidance and comments on each paper have been documented and transmitted to the relevant internal stakeholders. The United Nations Board of Auditors has also been provided with copies of the accounting policy/guidance papers.

46. Going forward, the United Nations IPSAS Project Team along with the working groups will support the development of detailed operational procedures and in the formulation and deployment of implementation strategies for the adoption of IPSAS.

D. Implementation timetable for adoption of IPSAS

47. The first implementation timetable for the adoption of IPSAS by the United Nations was presented in annex II to the report of the Secretary-General (A/60/846/Add.3). Annex II to the present report shows an updated timeline of the major project tasks that must be accomplished for IPSAS adoption and the status of each major task. This timetable is contingent on having the IPSAS-required ERP modules in place by the end of 2010.

E. Collaboration with the Enterprise Resource Planning project

48. The General Assembly, in its resolution 60/283, decided to replace the current Integrated Management Information System (IMIS) with a next-generation ERP system or other comparable system. The strategy is to integrate the IPSAS adoption process into the project to upgrade the information technology systems of the United Nations, ensuring that the information requirements for successful IPSAS implementation are met by the new ERP. The Secretary-General has submitted a separate report detailing the plans for the ERP project (A/62/510/Rev.1).

49. The United Nations IPSAS Project Team has worked closely with the ERP project to document the high-level IPSAS requirements that were incorporated in the business specifications for the new ERP system. A project to map the processes for the "to be" business architecture has been initiated by the ERP project and is being executed in coordination with the IPSAS Project Team. The challenge in this area is to adopt best practice business processes that are embedded in ERP systems while minimizing customization, and to have these processes adopted not only at Headquarters but Organization-wide. Going forward, the IPSAS and ERP projects will need to work closely to, inter alia, configure accounting and budgeting processes, develop the chart of accounts and data model, test the system, prepare manuals and documentation, train staff, convert data to the new system and determine opening balances as of the date of IPSAS implementation.

50. The report of the Secretary-General (A/62/510/Rev.1) on the new ERP system indicated in paragraph 40 that based on the "current project progress, Wave 1 would be substantially completed by the end of 2010". The report indicates that Wave 1 will include IPSAS-compliant core financials and other modules to support the adoption of IPSAS. As a result, contingent on having the IPSAS-required modules of the ERP in place by the end of 2010, future financial statements will be based on progressive incorporation of IPSAS standards, starting with those for the period ending 31 December 2011.

F. Collaboration with the Financial Regulations and Rules project

51. Since October 2006, the Controllers of the United Nations Development Group Executive Committee agencies (UNDP, UNICEF, UNFPA, and WFP) and the Controller of the United Nations have been collaborating on a project to develop one set of harmonized Financial Regulations and Rules for the five organizations. The harmonized Financial Regulations and Rules will also reflect the necessary changes required for the adoption of IPSAS. Based on the current timeline of the project, the internal review and consultation with respect to a new set of harmonized

IPSAS-compliant Financial Regulations and Rules is targeted to be substantially completed by the end of 2008.

G. Communication and training

Communication

52. Effective communication is important for the successful implementation of the IPSAS adoption project. In this respect, an important first step was a briefing on IPSAS at the Chief Finance Officers workshop, held in December 2006 for finance officers from offices away from Headquarters and field missions as well as finance professionals from Headquarters.

53. Following the workshop, a formal communication regarding IPSAS adoption was sent to the offices. For each major office, an IPSAS coordinator was appointed as the point of contact for dissemination of information to the various offices and the communication of queries from the respective offices to the United Nations IPSAS Project Team. In February 2007, the IPSAS coordinators and working groups were briefed via videoconference on their role in the policy adoption process, progress towards IPSAS adoption and the role of the IPSAS Project Team.

54. As a follow-up, at the 2007 Chief Finance Officers workshop, an awareness briefing on the IPSAS-compliant policies and recommended accounting practices that have been approved and the change implications of these policies/practices was presented, targeting financial management professionals throughout the Organization. The aim of the briefing was to keep the major internal stakeholders informed of the progress towards IPSAS adoption, to build an understanding of IPSAS concepts and to begin exploring implementation strategies, especially for offices away from Headquarters and field missions.

55. Further, in December 2007 an iSeek page dedicated to IPSAS was launched. The Intranet site provides updated information in areas such as approved IPSAS-compliant policies, training and progress reports. The iSeek page also links to the website of the CEB, which has additional information on IPSAS adoption from the system-wide perspective.

56. Videoconferencing is also intended to be increasingly used as a tool for communicating with the field and offices away from headquarters. Such videoconferences will provide management, working group members, finance staff and other stakeholders with an overview of progress on policy adoption, proposed workflow changes and training. Further, the latest information on IPSAS adoption will be presented to United Nations finance professionals at the next Chief Finance Officers workshop.

Training

57. Progress to date includes an initial assessment of the approach to training, including the structure, the timing, target audience, delivery methods and curriculum. Information on these areas is provided below.

58. As recommended by the system-wide IPSAS Project Team, training will have a three-pronged structure as follows:

(a) Awareness training;

(b) Conceptual training (IPSAS concepts and standards);

(i) Working-level knowledge;

(ii) In-depth knowledge and specialist skills;

(c) Integration with systems/ERP training.

59. The approach at the system-wide level (see para. 26 above) is to procure training products to meet the first two training needs (awareness and conceptual training) by the end of 2008. It is recognized that training must be appropriately timed so that the necessary information will be retained to support the "go-live" date of IPSAS adoption. The United Nations IPSAS Project Team is responsible for the deployment of the system-wide procured training products to the target audiences Organization-wide, which includes the development and execution of a detailed training plan.

Awareness training

60. Awareness training is a key component of the overall change management process. The objective of awareness training is to communicate the upcoming changes and the impact on the Organization to all stakeholders, both internal and external, encourage staff to start thinking about the implications for their own areas of work, and get "buy in" for the change to IPSAS.

61. Plans to commence formal awareness training using the products being procured by the system-wide project (see para. 27 above) are slotted for the second half of 2008. An initial analysis of the target audience shows that about 3,500 United Nations staff members worldwide should be targeted for awareness training.

Conceptual training

62. Conceptual training using the products being procured by the system-wide project is planned to begin during the first half of 2009. An initial analysis of the target audience shows that about 1,200 United Nations staff members worldwide should be targeted for working-level conceptual training, about 500 of whom should be trained at the specialist level. It is anticipated that a combination of the use of consultants and the "train-the-trainer" approach will be used to deploy conceptual training Organization-wide.

Systems/ERP training

63. The approach and structure of system/ERP training and the development of the training material will be a joint effort of the United Nations IPSAS project and the ERP project and will include elements relating to IPSAS, such as the chart of accounts structure, IPSAS-compliant posting rules and financial transactions.

64. Two levels of systems/ERP training have been identified. The first is the practical application of IPSAS as transactions are entered "hands-on" into the system; this training will be offered in the months prior to the ERP "go-live" date. The second is the training of users in the reporting and diagnostic tools; this training will be offered in the months prior to and after implementation.

H. Status of expenditures

65. In its resolution 60/283, the General Assembly approved the resources to begin the process of implementation of IPSAS. The table below provides a summary of resources for the bienniums 2006-2007 and 2008-2009.

IPSAS adoption at the United Nations 2006-2009

(Thousands of United States dollars)

	2006-2007 Revised appropriation	*2006-2007 Expenditures*	*2008-2009 Initial appropriation*
Regular budget			
Object of expenditure			
Posts	304.5	370.4	1 145.4
Consultants	402.3	—	1 303.7
Travel	125.6	10.2	237.5
Contractual services	582.0	16.4	2 769.8
General operating expenses	10.6	5.8	21.8
Supplies and materials	0.4	0.1	4.3
Furniture and equipment	9.3	5.0	—
Section 28B, Office of Programme Planning, Budget and Accounts	**1 434.7**	**407.9**	**5 482.5**
Section 30, Jointly financed administrative activities	**424.0**	**427.1**	**701.6**
Subtotal regular budget	**1 858.7**	**835.0**	**6 184.1**
Peacekeeping support account	1 244.4[a]	339.4[b]	5 505.6[c]
Total	**3 103.1**	**1 174.4**	**11 689.7**

[a] Appropriations for the peacekeeping financial years 2006/07 and 2007/08.
[b] Expenditures for calendar years 2006 and 2007.
[c] Estimates of proposed requirements for 2008/09 of $2.75 million and an equivalent estimate for 2009/10.

66. As shown in the table above, the amount $3,103,100 was provided for the implementation of IPSAS for the period 2006-2007: $1,858,700 from the regular budget ($1,434,700 under section 28B, Office of Programme Planning, Budget and Accounts, to support the activities of the United Nations IPSAS Project Team, and $424,000 under section 30, Jointly financed administrative activities, to support the system-wide IPSAS Project Team), and $1,244,400 from the peacekeeping support account.

67. The actual expenditures relating to the implementation of IPSAS during 2006 and 2007 amount to $1,174,400: $835,000 under the regular budget ($407,900 under section 28B and $427,100 under section 30) and $339,400 under the peacekeeping support account. The reduced estimated requirement under section 28B is the result of the deferment of consultancy work and the postponement of training plans, which

were due to realignments arising from the synchronization of the IPSAS and ERP implementation timelines.

68. The estimated requirement for the biennium 2008-2009 is $11,689,700. Of this amount, $6,184,100 has been appropriated under the regular budget ($5,482,500 under section 28B and $701,600 under section 30) and $5,505,600 is estimated to be funded under the peacekeeping support account in fiscal years 2008-2009 and 2009-2010.

I. Annual audit

69. IPSAS requires that financial statements be presented "at least annually" (IPSAS 1, para. 66). While IPSAS is silent on whether financial statements should be audited, it is recognized that for annual financial statements to have greater credibility, they should be audited. Further advantages of annual audit include increased transparency and accountability. As such, audited statements will better reflect the benefits to be gained from IPSAS adoption.

70. After consideration of the issue of an annual audit, the CEB Finance and Budget Network recommended that annual audits be undertaken; however, it also acknowledged that the audit frequency is determined by the governing body of each organization. For the United Nations, the proposed approach on audit of the IPSAS-compliant financial statements of the Organization and all the related changes to the Financial Regulations and Rules arising from adoption of IPSAS and from harmonization with the United Nations Development Group Executive Committee agencies will be submitted to the General Assembly at a later date for approval as a comprehensive whole.

IV. Actions to be taken by the General Assembly

71. **The General Assembly is requested to take note of the present report.**

Annex I

United Nations system-wide IPSAS project

Accounting policy and guidance papers[a]

(As at 31 March 2008)

Submitted to Task Force or Focus Group	*Papers*	*Task Force decisions*
Submitted at August 2006 Task Force meeting	1. IPSAS 17 property, plant and equipment Background paper	Further guidance and recommended accounting practices requested.
	2. ED 29 Revenue from non-exchange transactions Background paper	Further guidance and recommended accounting practices requested.
	3-9. Accounting policy papers 1.06 to 7.06	Policies 1-06/1, 1-06/2, 2-06/1, 2-06/2, 3-06/1, 4-06/1, 6-06/1, 7-06/1 and 7-06/2 were approved. Policy 5-06/1 was amended and approved. Policies 1-06/3 and 1-06/4 were not approved, but the issues therein have subsequently been addressed.
Submitted at December 2006 Task Force meeting (Previously reviewed by Focus Groups)	10. IPSAS 23 (ED 29) Applied to revenue from voluntary contributions	Minor amendments and further guidance requested. This paper was revised and resubmitted at the April 2007 Task Force meeting, at which the Task Force requested a further paper providing examples to support a decision at its June meeting.
Revised and resubmitted at April 2007 Task Force meeting (With further review by Focus Groups)	11. Expense recognition (General guidance)	Minor amendments and further guidance requested. This paper was revised and resubmitted at the April 2007 Task Force meeting, at which it was approved.
	12. Model financial statements	Task Force support for the model statements. Minor amendments and further guidance requested. (Policy 1-06/3 addressed.) This paper was revised and resubmitted at the April 2007 Task Force meeting, at which it was approved as a "work-in-progress".
	13. IPSAS 17 property, plant and equipment	This paper was submitted at the December Task Force meeting, then revised and resubmitted at the April 2007 Task Force meeting, at which the revised recommendations were approved.

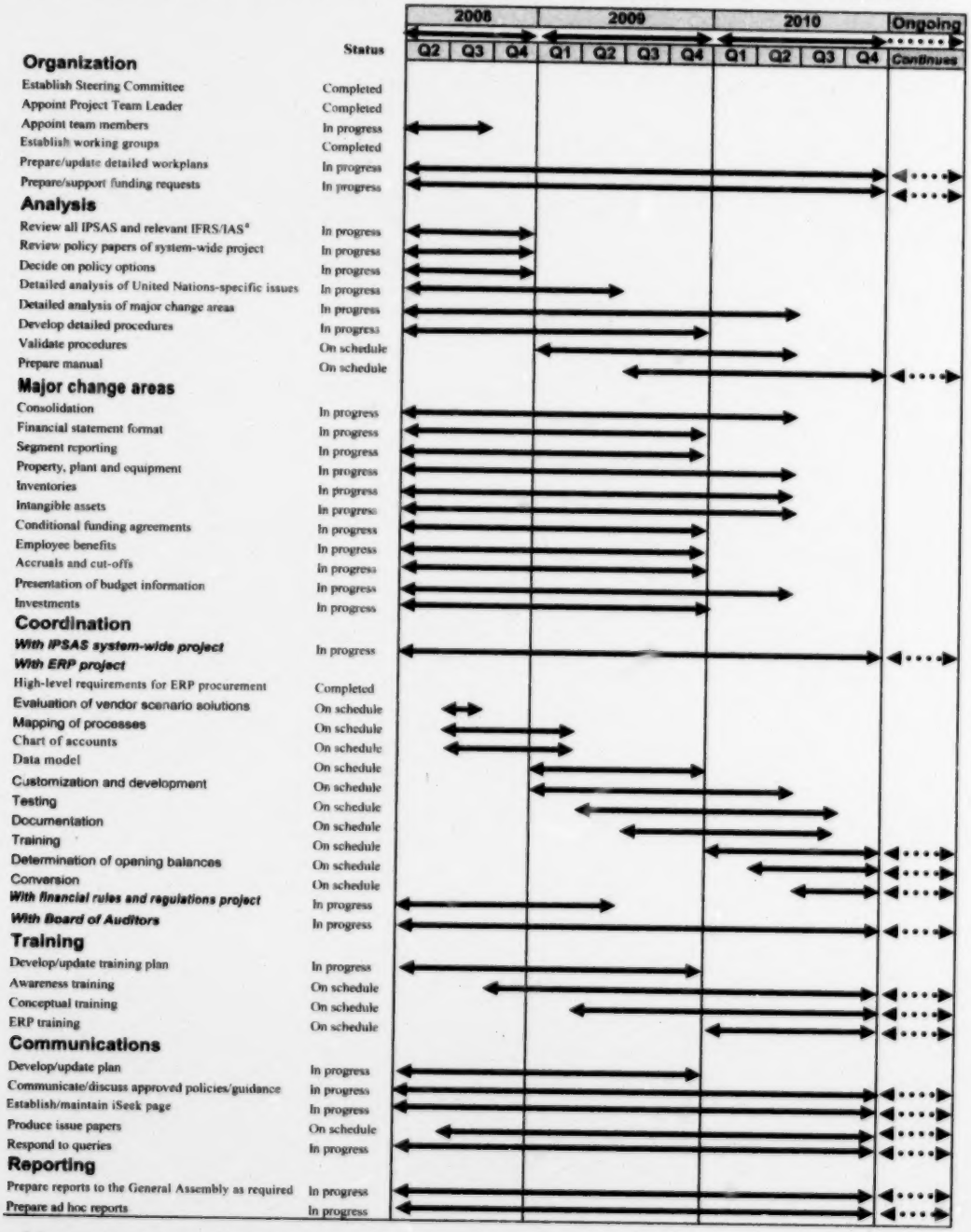
[a] Extracted from the conclusions of the fifteenth session of the High-level Committee on Management, FAO, Rome, 17-18 March 2008 (CEB/2008/HLCM/7).

Submitted to Task Force or Focus Group	*Papers*	*Task Force decisions*
Submitted at April 2007 Task Force meeting (Previously reviewed by Focus Groups)	14. Expenses arising from funding agreements with implementing partners	Task Force requested a further paper with examples to support a decision at its June meeting.
	15. ED 31 Employee benefits	All recommendations approved.
	16. IPSAS 12 Inventories	All recommendations approved.
	17. IAS 31 Intangibles	All recommendations approved. (Approval gained via e-mail and will be confirmed at June 2007 Task Force meeting.)
	18. Transitional provisions	All recommendations approved.
	19. Valuation of property, plant and equipment on first-time recognition	A revision made at the April Task Force meeting and all recommendations approved.
Submitted at June 2007 Task Force meeting (Reviewed by Focus Groups)	20. Financial instruments	Approved.
	21. Foreign exchange	Further guidance requested and revisions to the paper.
	22. Leases	Approved conditional on amendments being made to the appendices.
	23. Guidance on first-time recognition of property, plant and equipment	Noted. The paper was noted as useful guidance. Further guidance identified as needed.
	24. Revenue recognition — funding agreement examples Briefing note: Revenue issues raised by ILO	Gain further advice and provide additional guidance on identified issues.
	25. Expenses — funding agreement examples	Minor edits to paper, review for any consequential amendments after advice has been received on revenue recognition, and address identified issues.
	26. Segment reporting	Redraft paper to address further issues and include any issues arising from the consolidation study or funding paper.
	27. Revenue from assessed contributions	Approved.
	28. Revenue from pledges	Approved.
	29. Fund accounting	Update paper to take into account issues or advice arising from the consolidation study.
	30. Control over assets Briefing note: Project assets	Revise paper addressing issues discussed and provide further guidance.

Submitted to Task Force or Focus Group	*Papers*	*Task Force decisions*
	31. Budget-actuals information	Approved. (Minor edits and further guidance required)
		The two recommendations were revised and approved. A further recommendation was approved to make budget-actual comparisons to the final budget.
	32. Financial statements: note disclosures	Noted.
		The paper was noted as a "work-in-progress" with requirement to update to reflect Task Force meeting decisions and continue with further work required.
	Briefing note: annual audits	Approved.
		Recommendation to have annual audits amended to emphasize that this requires governing body approval, then approved.
Submitted to Task Force for discussion at 26-27 February 2008 Task Force meeting	33. Transitional provisions	Acknowledged as useful guidance.
	34. IPSAS 17: Property, plant and equipment classification	Acknowledged as useful guidance.
	35. IPSAS 4: Foreign exchange — United Nations rate	Acknowledged as useful guidance.
	36. Employee Benefits — United Nations case study	Acknowledged as useful guidance.
	Status Report: Pensions	Noted that further work in this area is planned.
	37. IPSAS 20: Related party disclosures	Acknowledged as useful guidance.
	38. First-time recognition of intangibles	Acknowledged as useful guidance.
	39. Intangible assets accounting for software and ERP systems	Acknowledged as useful guidance.
	External review of 3 unresolved issues	External view received. The three issues not fully resolved.

Annex II

Implementation timetable for the United Nations adoption of IPSAS 2008-2010


2008
2009
2010
Ongoing
Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Continues
Status
Organization
Establish Steering Committee Completed
Appoint Project Team Leader Completed
Appoint team members In progress
Establish working groups Completed
Prepare/update detailed workplans In progress
Prepare/support funding requests In progress
Analysis
Review all IPSAS and relevant IFRS/IAS[a] In progress
Review policy papers of system-wide project In progress
Decide on policy options In progress
Detailed analysis of United Nations-specific issues In progress
Detailed analysis of major change areas In progress
Develop detailed procedures In progress
Validate procedures On schedule
Prepare manual On schedule
Major change areas
Consolidation In progress
Financial statement format In progress
Segment reporting In progress
Property, plant and equipment In progress
Inventories In progress
Intangible assets In progress
Conditional funding agreements In progress
Employee benefits In progress
Accruals and cut-offs In progress
Presentation of budget information In progress
Investments In progress
Coordination
With IPSAS system-wide project In progress
With ERP project
High-level requirements for ERP procurement Completed
Evaluation of vendor scenario solutions On schedule
Mapping of processes On schedule
Chart of accounts On schedule
Data model On schedule
Customization and development On schedule
Testing On schedule
Documentation On schedule
Training On schedule
Determination of opening balances On schedule
Conversion On schedule
With financial rules and regulations project In progress
With Board of Auditors In progress
Training
Develop/update training plan In progress
Awareness training On schedule
Conceptual training On schedule
ERP training On schedule
Communications
Develop/update plan In progress
Communicate/discuss approved policies/guidance In progress
Establish/maintain iSeek page In progress
Produce issue papers On schedule
Respond to queries In progress
Reporting
Prepare reports to the General Assembly as required In progress
Prepare ad hoc reports In progress

[a] International Financial Reporting Standards/International Accounting Standards.